# INFORMED BUDGETEER

## HOW MUCH IN ADVANCE?

- More than $23 billion in BA and almost $15 billion in outlays were advance appropriated into 2001 in the FY 2000 appropriation bills adopted by Congress this year. Advances in the Labor, HHS appropriation bill vetoed by the President, represent the majority of that total: almost $19 billion in BA and over $12 billion in outlays. Of the total for advance appropriations in the FY 2000 bills, over one-third was for advances repeated from FY 1999 appropriation bills and the other nearly two-thirds was for new advances.

- The programs or activities that received large advances into 2001 include the Training and Employment Administration, Low Income Home Energy Assistance, the Child Care Block Grant, Head Start, Education for the Disadvantaged, the School Improvement program, Special Education, and the Housing Certificate Fund. The FY 2000 Labor, HHS appropriation bill repeated it's normal process of advancing $350 million for the Corporation for Public Broadcasting into 2002.

- The *Bulletin* reported (September 20, 1999) that the President called for advance appropriations of almost $19 billion in BA and more than $10 billion in outlays in his FY 2000 budget. That is $4.5 billion less in BA than total advances appropriated in the FY 2000 bills by Congress. The only advance appropriations in the President's budget that were not included in the FY 2000 bills were proposed advances (totaling more than $3 billion in BA) in military construction. In addition, the Labor, HHS appropriation advances $1.8 billion more in Special Education BA than was proposed in the President's budget.

- The *Bulletin* also recently looked at the history of advance appropriations from FY 1996 to FY 2000 (September 13, 1999). According to that analysis, advance appropriations for 2000 in the FY 1999 bills totaled nearly $12 billion in BA. With advance appropriations in the FY 2000 bills totaling more than $23 billion in BA, the use of advances has nearly doubled since last year.

**Advance Appropriations in the FY2000 Bills***
($ in millions)

| | 2001- BA | 2001-OT |
|---|---|---|
| Interior | | |
| Elks Hill School Lands Fund[A] | 36 | 36 |
| Labor, HHS | | |
| Training & Employment Administration[A] | 2,463 | 1,885 |
| Low Income Home Energy Assistance[BC] | 1,100 | 825 |
| HHS: Departmental Management[A] | 20 | 9 |
| Child Care Block Grant[BC] | 1,183 | 860 |
| Head Start[A] | 1,400 | 515 |
| Education for the Disadvantaged[BC] | 6,205 | 4,033 |
| School Improvement[A] | 1,530 | 995 |
| Reading Excellence[B] | 195 | 127 |
| Special Education[AC] | 3,742 | 2,432 |
| Vocational Education[A] | 791 | 514 |
| Total, Labor HHS | 18,629 | 12,195 |
| Treasury | | |
| Payment to Postal Service[BC] | 64 | 64 |
| VA, HUD | | |
| Housing Certificate Fund[AC] | 4,200 | 2,500 |
| Transportation[A] | 329 | 89 |
| TOTAL, 2001 Advances | 23,258 | 14,884 |
| New Advances in FY 2000 Bills | 14,511 | 4,043 |
| Advances repeated from FY 1999 Bills | 8,747 | 5,909 |

*$350 million for the Corporation for Public Broadcasting was advanced in 2002 in the FY 2000Labor, HHS Bill. [A]New Advances in FY 2000 Bills. [B]Advances repeated from FY 1999 Bills. [C]Advanced in the President's FY 2000 Budget.

## SENATE FINANCE COMMITTEE REPORTS A MEDICARE "GIVEBACKS" PACKAGE

- On October 21, the Finance Committee reported out S. 1788, a package of Medicare, Medicaid, and State Children's Health Insurance Program (S-CHIP) provisions. The package is primarily aimed at easing some of the reductions in payments rates for providers under Medicare.

- Overall, CBO estimates the bill will increase spending by $1.1 billion in 2000, $11.9 billion over five years, and $15.7 billion over ten years.

- The major spending provisions in the bill include:

  - a four year freeze on any further reductions in the special payment add-on for teaching hospitals (indirect medical education), costing $1.8 billion over five years;

  - a new stop loss provision for hospitals under the prospective payment system for outpatient departments, costing $1.2 billion over five years;

  - an increase in the payment rates for skilled nursing facilities, costing $2.0 billion over five years; and

  - a slowdown in the implementation of a risk adjustment system for Medicare+Choice plans, costing $1.6 billion over five years.

- The following table provides a summary of the major budget provisions in the bill:

**Cost Estimate of S. 1778**
($ in Billions)

| | 2000 | 2000-2004 | 2000-2009 |
|---|---|---|---|
| Teaching Hospitals | 0.2 | 1.8 | 1.8 |
| Provide stop loss for hospital | 0.1 | 1.2 | 1.8 |
| outpatient payments | | | |
| Medicare-dependent & sole | 0.0 | 0.3 | 0.7 |
| community hospital update | | | |
| Increase skilled nursing | 0.3 | 2.0 | 2.0 |
| facility payment rates | | | |
| 2 Year moratorium therapy | 0.2 | 0.6 | 0.6 |
| caps | 0.0 | 1.3 | 1.3 |
| Delay then phase in home | | | |
| health 15% reduction | 0.0 | 0.2 | 0.4 |
| Hospice update | 0.0 | 0.3 | 0.6 |
| 2% Increase in Dialysis | | | |
| composite rate | 0.0 | 1.6 | 2.0 |
| Phase in Medicare+ Choice risk | | | |
| adjustment | 0.1 | 0.2 | 0.2 |
| Lift sunset on welfare reform | | | |
| transition funds | 0.0 | 1.6 | 2.4 |
| Medicare+Choice Interaction | | | |
| w/FFS policies | 0.2 | 0.8 | 1.9 |
| Other | 1.1 | 11.9 | 15.7 |
| TOTAL | | | |

SOURCE: CBO

## SO MANY EXTENDERS, SO LITTLE TIME

- On Friday, October 29, the Senate approved S. 1792, the Tax Relief Extension Act, by unanimous consent. The measure was ordered reported by the Finance Committee by unanimous voice vote on October 20.

- This legislation temporarily extends several expiring tax provisions for 18 months and is paid for through offsetting tax increases.

- The bill extends the exclusion of nonrefundable personal tax credits from the alternative minimum tax (AMT) for tax years 1999 and 2000. In addition the bill extends through December 31, 2000:

  - the research and experimentation tax credit;

  - exceptions under Subpart F for active financing income;

- ‣ suspension of net income limitation on percentage depletion from marginal oil and gas wells;
- ‣ the work opportunity and welfare to work tax credits;
- ‣ the tax credit for electricity produced from wind and closed-loop biomass, including a new provision for poultry waste; and,
- ‣ tax-free treatment of employer-provided educational assistance.

- The Senate bill also expands the deduction for brownfields, delays the dyed-fuel mandate for six months (until 12/31/00), and temporarily increases the amount of rum excise tax that is paid to Puerto Rico and the Virgin Islands.

- The House Ways and Means Committee also ordered reported an extenders bill, H.R. 2923, on September 24. The full House has not yet taken action on the Ways and Means extenders bill.

- The main differences between the House and Senate bills are that the House bill extends AMT relief permanently, the R&E tax credit for five years, and other credits for two to five years. The House bill makes the R&E credit payable after 9/30/00, pushing the revenue loss into fiscal 2001. The House bill contains no provision for employer-provided educational assistance (which does not expire until 5/31/00), electricity produced from poultry waste, brownfields, dyed fuel, or rum excise tax. The House bill is only offset in 2000, and is paid for by the on-budget surplus thereafter.

**Extension of Expiring Provisions**
(Revenue impact, $ in billions)

| | 2000 | 2000-2009 |
|---|---|---|
| Senate-passed S. 1792 | | |
| Cost of tax extensions | -3.5 | -8.5 |
| Revenue offsets | 3.5 | 8.8 |
| Net budget impact | +(*) | 0.3 |
| House-reported H.R.2923** | | |
| Cost of tax extensions | -1.5 | -50.8 |
| Revenue offsets | 1.5 | - - |
| Net budget impact | +(*) | -50.8 |

*Less than $50 million. **Ten-year estimates for the House bill are SBC estimates.

## BUDGET QUIZ

### DOES EMERGENCY MEAN NEVER HAVING TO SAY YOU'RE SORRY YOU USED SOCIAL SECURITY?

(Note: Three weeks ago, the *Bulletin's* Budget Quiz dealt with the difference between regular and contingent emergency appropriations, but apparently some readers didn't fully appreciate the lessons embedded within, so it's time to go back to school on emergencies.)

Question: Do emergency appropriations count in the budget?

Answer: Sure do. Budget Authority and outlays associated with emergency appropriations account in the federal budget exactly the same as regular appropriations. So why do those in the major national press who follow the budget and pronounce gimmicks, as well as many Hill staff, seem to think that declaring an appropriation an emergency makes it less likely that some of the Social Security surplus will be used?

- Outlays are outlays are outlays. If outlays do not stem from social security checks (which are "off-budget), then they are "on-budget", and an increase in such outlays would reduce the on-budget surplus. If there is no on-budget surplus, then an increase in on-budget outlays means that social security surpluses are borrowed to finance the on-budget deficit, as has been the case for the past three decades.
- Declaring an appropriation and its associated outlays as an emergency (which requires in every case an agreement between the Congress and the President to designate the spending as an emergency) is only useful for increasing the statutory caps on discretionary spending and preventing a sequester. The emergency designation does not make it easier to avoid spending some of the social security surplus. Prove it to yourself at home. And yes, this will be on the final.

**THE RESULTS ARE IN....**

**Comparison of 1998 & 1999 Actuals**
($ in billions)

| | 1998 | 1999 | Growth: $ |
|---|---|---|---|
| RECEIPTS: | | | |
| Individual income taxes | 828.6 | 879.5 | 50.9 |
| Corporation income taxes | 188.7 | 184.7 | -4.0 |
| Social insurance taxes | 571.8 | 611.8 | 40.0 |
| Excise taxes | 57.7 | 70.4 | 12.7 |
| Estate and gift taxes | 24.1 | 27.8 | 3.7 |
| Customs | 18.3 | 18.3 | 0.0 |
| Miscellaneous | 32.3 | 34.8 | 2.5 |
| Total receipts | 1721.5 | 1827.3 | 105.8 |
| On-budget | 1305.7 | 1382.8 | 77.2 |
| Off-budget | 415.8 | 444.5 | 28.7 |
| OUTLAYS: | | | |
| National defense | 268.5 | 276.8 | 8.3 |
| International affairs | 13.1 | 15.3 | 2.2 |
| Science, space & technology | 18.2 | 19.4 | 1.2 |
| Energy | 1.3 | 1.0 | -0.3 |
| Natural resources &environ. | 22.4 | 22.3 | -0.1 |
| Agriculture | 12.2 | 24.4 | 12.2 |
| Commerce & housing | 1.0 | 3.0 | 2.0 |
| Transportation | 40.3 | 38.9 | -1.5 |
| Community & regional develop. | 9.7 | 12.8 | 3.1 |
| Education | 54.9 | 57.4 | 2.6 |
| Health | 131.1 | 140.8 | 9.7 |
| Medicare | 192.8 | 190.4 | -2.4 |
| Income security | 233.3 | 237.2 | 3.9 |
| Social security | 379.2 | 390.0 | 10.8 |
| Veterans benefits & services | 41.8 | 43.2 | 1.4 |
| Justice | 22.8 | 25.8 | 3.0 |
| General government | 13.4 | 16.1 | 2.7 |
| Net interest | 243.4 | 230.3 | -13.1 |
| Undistributed offsetting receipts | -47.2 | -40.4 | 6.7 |
| Total outlays | 1652.2 | 1704.5 | 52.3 |
| On-budget | 1335.6 | 1383.8 | 48.1 |
| Off-budget | 316.6 | 320.8 | 4.2 |
| SURPLUS | 69.2 | 122.7 | 53.5 |
| On-budget deficit | -30.0 | -1.0 | 29.0 |
| Off-budget surplus | 99.2 | 123.7 | 24.5 |

SOURCE: Financial Management Service, Department of Treasury. Details may not add to totals due to rounding. Prepared by SBC, 11/3/99.

## CALENDAR

- The following briefings are a continuing series focusing on budget reform and the 25th anniversary of the Congressional Budget Act. All the briefings are at 3 pm in Room 608 of the Dirksen Building.

November 9: Dr. Robert Reischauer, Senior Fellow, Brookings Institution; formerly Director of the Congressional Budget Office.

November 17: Dr. Eugene Steuerle, Senior Fellow, Urban Institute; formerly Deputy Assistant Secretary at the Treasury Department.